

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

BAC1634 – FINANCIAL ACCOUNTING & REPORTING I

(All sections / Groups)

5 MARCH 2021
9.00 a.m. - 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **8** pages with **4** Questions only not inclusive the cover page.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1**Part A**

A conceptual framework can be defined as a system of ideas and objectives that lead to the creation of a consistent set of rules and standards. The rules and principles lay down the existence, role and limitations of financial accounts and financial statements, especially in accounting. It should be remembered that the framework is not an accounting standard and that the accounting standard prevails where a conflict is considered to occur between the framework and the basic provisions of the accounting standard.

Required:

- a) Briefly explain what is the importance of conceptual framework in the preparation of financial statement.
(5 marks)
- b) Briefly explain why there is a need to have an international conceptual framework that are accepted worldwide.
(5 marks)
- c) Briefly assess the extent to which an international conceptual framework can be used to resolve practical accounting issues.
(5 marks)

Part B

An entity's financial statements are mandated by the Conceptual Framework for Financial Reporting to disclose the content of the transactions in which the entity has entered. The preparers of the financial statements must assess the substance of the transaction and whether the statement of financial position should contain any resulting assets and liabilities. These provisions emerged in part as a result of concern about arrangements made by firms that excluded assets and liabilities from the financial position statement.

Required:

- a) Explain the reasons why companies may wish to omit assets or liabilities from their statement of financial positions.
(5 marks)
- b) Explain the advantages of a requirement to report substance over form.
(5 marks)

(Total: 25 marks)

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QUESTION 2

Casa Modern Furniture Bhd (CMFB) is a public listed company involved in a manufacturing of furniture. The following is the trial balance of Casa Modern Furniture Bhd as at 31 December 2019:

	RM'000 Debit	RM'000 Credit
Ordinary shares of RM1 each		580
Revaluation reserve		40
Retained profit as at 1 January 2019		32
7% Loan (issued on 1 January 2019)		12
Accounts payable		30
Accounts receivable	80	
Intangible assets	56	
Bank	66	
Investments	120	
Plant and equipment	560	
Land and building	240	
Accumulated depreciation-plant and equipment		280
Accumulated depreciation-building		180
Inventory as at 1 January 2019	51	
Deferred tax liability as at 1 January 2019		5
Sales revenue		156
Cost of sales	61	
Administrative expenses	9	
Selling and distribution expenses	26	
Loan interest	33	
Tax paid	6	
Allowance for doubtful debts		5
Dividends paid	12	
	1,320	1,320

Additional information:

1. The company closing inventories included some minor defects goods costing RM600 that were expected to be sold for RM300.

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2. The tax expense for year ended 31 December 2019 was estimated at RM9,000 including a decrease to the deferred tax liability amounted to RM800. The corporate tax rate for current year was 28%.
3. As at 31 December 2019, the total investments of the company amounted to RM120,000. RM20,000 was classified as investment available for sale with a market value of RM26,000.
4. The land was revalued to RM42,000 which carried of RM40,000 at cost. The company has intention to disclose the land at its fair value.
5. On 1 February 2019, CMFB issued share options to 5,000 ordinary shares each at RM2 per share to its employees. The employees only can exercise their rights on 31 January 2020. The exercise price of the options on the exercise date was RM5. The market price of the option on 1 February 2019 was RM1 each. None of the employees exercised their options as at 31 December 2019. The share options have not been recognized in the company's accounts.
6. The net value of intangible assets as at 31 December 2019 is RM45,750. The company has not recognized the current year amortization expense of RM10,250. It is company's policy to recognized the amortization expense of its intangible assets in administrative expenses.

Required:

Prepare the following financial statements for Casa Modern Furniture Bhd in accordance to the MFRS101 *Presentation of Financial Statements*.

- a) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019.
(8 marks)
- b) Statement of Financial Position as at 31 December 2019.
(13.5 marks)
- c) Statement of Changes in Equity for the year ended 31 December 2019.
(3.5 marks)

(Total: 25 marks)

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QUESTION 3**Part A**

Ixora Manufacturing Bhd is listed on the Bursa Malaysia. It has in issue and fully paid 80,000,000 ordinary shares at RM2. On 1 July 2020, Ixora offered for sale 60,000,000 ordinary shares at RM 3.60 per share payable as follows:

On application	RM 2.00
On allotment	RM 0.80
On first and final call	RM 0.80

The application was closed on 15 July 2020 and there were 100,000,000 applications were received. Applications for 40,000,000 shares were unsuccessful and the cash paid in respect of these shares was returned.

On 31 August 2020, the shares were allotted to the successful shareholders and the allotment money were received. However, on that day one holder 4,000,000 shares paid the call money along with the allotment money.

On 15 October 2020, when the first and final call was made, another holder of 2,000,000 shares did not pay first and final call money. The remaining shareholders paid the call money due.

Required:

- a) Prepare journal entries for the above transactions

(9 marks)

- b) Prepare the extract of statement of financial position as at 31 December 2020.

(2 marks)

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Part B

The following are the statement of profit or loss and statement of changes in equity of Begonia Manufacturing Bhd for the year ended 31 December 2020.

**Statements of profit or loss
for the year ended 31 December 2020**

	RM'000
Turnover	8,000
Cost of sales	<u>(4,000)</u>
Gross profit	4,000
Operating expenses	<u>(1,400)</u>
Profit before tax	2,600
Income tax expense	<u>(720)</u>
Profit for the year	1,880
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**Statements of changes in equity
for the year ended 31 December 2020**

	RM'000
Retained profit b/d	8,600
Current year profit	1,880
Preference dividend paid	(72)
Ordinary dividend paid	<u>(576)</u>
Retained profit c/d	9,832
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Notes:

- a) On 1 January 2020, Begonia Manufacturing Bhd's capital structure was as follows:
 8,000,000 ordinary shares of RM1.00 each
 2,000,000 10% preference shares of RM1.00 each
- b) Basic earnings per share for the year ended 31 December 2019 was 21 sen.
- c) Only a half-year preference dividend was paid for the year ended 31 December 2020. The remaining preference dividend was paid in the following year, together with the 2021 preference dividend.

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Additional information:

1. On 1 January 2020, Begonia Manufacturing Bhd issued RM4,000,000 10% convertible debentures. These debentures are convertible to 2,000,000 ordinary shares at any time up to 2022.
2. On 1 July 2020, Begonia Manufacturing Bhd made a rights issue of one (1) share for every five (5) shares held at a price of RM5.00 each. The market price of Begonia Manufacturing Bhd's shares on 30 June 2020 was RM6.00 each.

Required:

Calculate the basic and diluted earnings per share of Begonia Manufacturing Bhd for the year ended 31 December 2020. Restate the previous year's basic earnings per share where applicable in accordance to the MFRS133 *Earnings Per Share*.

(7 marks)

Part C

- a) Briefly explain the requirement of MFRS 9 *Financial Instruments* with regards to the collectability of accounts receivables.
- b) MFRS 110 *Events After the Reporting Period* provides guidance for dividends declared after the reporting period. Explain the MFRS 110 requirements related to this issue.

(3 marks)

(4 marks)

(Total: 25 marks)

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QUESTION 4**Part A**

The following are details of the property, plant and equipment of Mimosa Sports Bhd.

	Cost/valuation At 1 January 2019 <u>RM'000</u>	Accumulated depreciation At 1 January 2019 <u>RM'000</u>
Land	26,800	-
Building	56,800	7,100
Plant and machinery	288,800	141,400

Building and plant and machinery are depreciated on a straight-line basis over 40 years and 10 years respectively. On 1 July 2019 Mimosa Sports Bhd purchased a new plant costing RM96,000,000. Depreciation for the year 2019 has not been provided for all depreciable assets of the company. The company adopted straight line method to compute depreciation for all its depreciable assets.

On 31 December 2019, the land and building were revalued to RM34,000,000 and RM60,800,000 respectively. The new values are to be incorporated in the accounts for the year ended 31 December 2019. Plant and machinery were measured based on cost model.

Required:

Compute the carrying amounts of Mimosa Sports Bhd's plant and machinery in accordance to the requirements of MFRS 116 *Property, Plant and Equipment*.

(11 marks)

Part B

GF Partnership provides property investment consultancy services since 2010. The Covid 19 pandemic in 2020 badly affected the GF Partnership business. The partners, Garfield and Flinstone, decided to liquidate the business and the partnership ledger are shown below:

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Cash	RM 120,000
Noncash Assets	180,000
Liabilities	88,000
Garfield, Capital	200,000
Flinstone, Capital	12,000

Garfield and Flinstone's income ratios are 3:2, respectively.

Required:

Prepare a schedule of cash payments, assuming that the noncash assets were sold for RM120,000. Assume that any partner's capital deficiencies cannot be paid to the partnership.

(9 marks)

Part C

Vinca Bhd operates a transporting cargo from Malaysia to various destinations overseas. Its financial year ends on 31 December and its annual reports are usually approved for publication three (3 months) after the financial year end.

On 30 December 2020, one of Vinca Bhd's ships suffered an oil leak 12 kilometres off the shore of one of the Asean's countries. Due to strong currents, the oil was washed ashore and contaminated 4 kilometres of the beach. This Asean country has no environmental regulation on contamination of its shores. However, Vinca Bhd is very well known as an advocate of environmental preservation and has an excellent track record of cleaning up all contamination that it causes. As at 31 December 2020, it is estimated that the clean-up of the contaminated beach would costs the company RM1,000,000.

Required:

Explain whether Vinca Bhd should treat the cost for cleaning the oil spill contamination as a 'provision' or a 'contingent liability' in order to comply with the requirements of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

(5 marks)

(Total: 25 marks)

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